A Small Fix to a Huge Problem: Student Loans

The Idea

According to the National Center for Education Statistics, the six-year graduation rate for first time and full-time students is 60 percent (NCES 2018). Therefore, 40 percent of college students end up wasting their money by not graduating. Student loans are one of the biggest impediments that stop college students from continuing their education. If we can lighten the impediment to work for the student, then America will be one step closer to ending the student loan crisis. Altering student loan rates to change the college graduation rate is the most clear-cut way to do this. If America can create a system that rewards college students as they get closer and closer to graduating, then graduation rates will improve. This idea involves decreasing the federal interest rate on student loans by the year as student complete more college.

Demographics

College students that do not receive enough federal aid or scholarship money start college at a major disadvantage. These college students are usually at the age of emerging adulthood and are in median income households.

Marketing/Branding

We plan to allocate funding for use in advertisements in order to gain support. We could also host press meetings and other events to increase publicity. Social media would also be a viable option. If people see a possibility to save money, then students will support our cause. As our idea becomes known, we will gain congressional and public support that would allow us to present our ideas to Congress.

GOVERNOR'S SCHOLARS PROGRAM

MOREHEAD STATE UNIVERSITY

Authors

Andrew Birkhead
Mohammad Rashad
Luke Webb
Nickolas Yusupov

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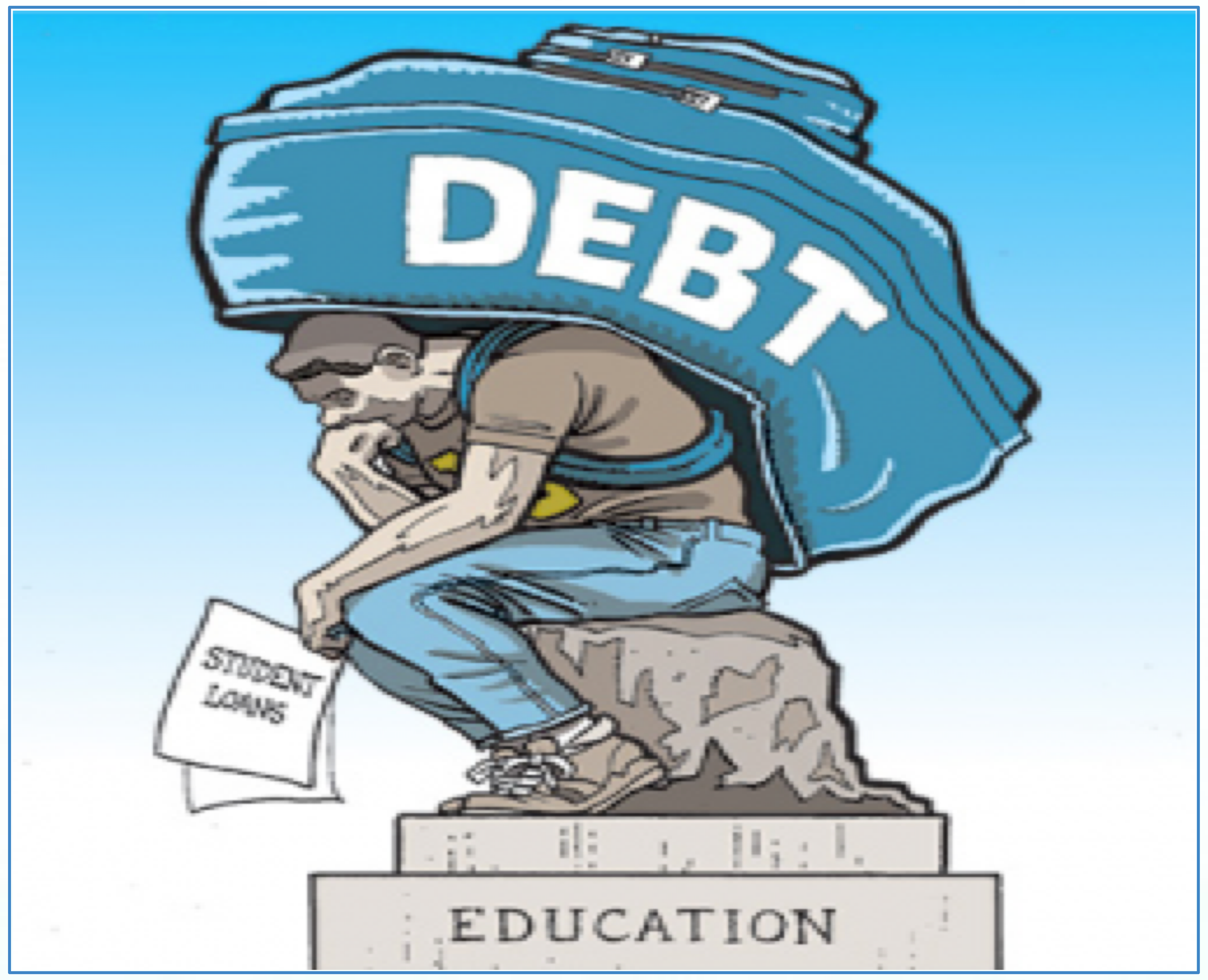
Mission Statement

Our goal is to decrease the burden on successful college graduates by rewarding them as they complete more college.

The Concept

Student loans have been a problem in this country for many years now, but never with this magnitude. Due to the drastically low and decreasing four-year undergraduate college graduation rate, we have proposed an idea of altering the interest rates on loans in order to make these loans more affordable as students continue to succeed in college. The longer students stay in college, the more affordable their loans will be, thus increasing the current college graduation rate.



Cost Structure

$38,000 On a 10 Year Loan

Interest Rates	5%	4.5%	4.3%	4%	Total Saved Between 4% and 5%
Interest paid Over 10 Years	$10,365.87	$9,259.11	$8,820.73	$8,167.78	$2,198.09
Interest Paid Over 20 Years	$21,604.07	$18,225.13	$19,179.26	$16,811.05	$4,793.02

The Risk

Money that we use for our campaign could be misused and lead to fraud. Students would also have a risk because if they do not finish college they would have a higher interest rate. This higher interest rate would be up to half a percent higher than the average, which may result in a large sum of money lost.

Research

- The need is that the official four-year graduation rate for students attending public colleges and universities is only 33.3% (Cappex).
- This past year, rates on loans for undergraduate students fell from 5.05 percent to 4.53 percent (Cappex).
- The college graduation rate for four year students has decreased from around 40% in 2010 to around 33% in 2019 (Cappex).
- "About 86 percent of freshmen in an annual national survey conducted by a center at UCLA say they think they'll graduate on time, when only about a third of that proportion will ultimately do it" (Cappex).

Resources

- We would need Congressional approval in order to actually change the rate on loans for undergraduate students for all four years
- We would also need to advertise our idea on a widespread scale in order to garner enough support for this idea and to show that we have public support for this

References

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